



IDEXX Laboratories, Inc.

Q1 Fiscal Year 2024 Earnings Call – Prepared Remarks

Introduction

IDEXX would like to preface the discussion today with a caution regarding forward-looking statements. Listeners are reminded that our discussion during the call will include forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed today. Additional information regarding these risks and uncertainties is available under the forward-looking statements notice in our press release issued this morning, as well as in our periodic filings with the Securities and Exchange Commission, which can be obtained from the SEC or by visiting the Investor Relations section of our website, idexx.com.

During this call, we will be discussing certain financial measures, not prepared in accordance with Generally Accepted Accounting Principles or GAAP. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures is provided in our earnings release, which may also be found by visiting the Investor Relations section of our website. In reviewing our first quarter 2024 results and updated 2024 guidance, please note all references to growth, organic growth, and comparable growth refer to growth compared to the equivalent prior year period unless otherwise noted.

Brian P. McKeon

Executive Vice President, Chief Financial Officer

Good morning and welcome to our first quarter earnings call. Today — I'll take you through our Q1 results and review our updated financial outlook for 2024.

In terms of highlights — IDEXX achieved solid organic revenue growth and strong profit gains in the first quarter.

- Overall revenues increased 7% organically — supported by 7% organic growth in CAG Diagnostics recurring revenues.
- Solid revenue gains were net of negative growth effects from severe U.S. weather in January, which we estimate lowered overall IDEXX organic revenue growth by 0.5% — 1% and added pressure to U.S. same-store clinical visit growth levels.
- IDEXX execution trends remain strong — reflected in a continued high IDEXX CAG Diagnostics recurring revenue growth premium, 8% global gains in premium instrument placements and 11% organic gains in recurring veterinary software and diagnostic imaging revenues.
- Profit delivery was excellent in the quarter — supported by gross margin gains. Strong operating margin performance enabled EPS delivery of \$2.81 per share. EPS was up 10% as reported and 9% on a comparable basis — net of a 7% negative EPS growth impact from the lapping of a prior year customer contract resolution payment.

Overall — we're pleased with our continued progress in expanding our business and delivering strong financial performance, as we continue to work through sector and macro factors that have constrained visit growth at veterinary clinics. We've updated our 2024 financial outlook to incorporate recent sector trends, which we estimate will constrain the high end of our full year organic growth outlook this year. We've also incorporated updated estimates for FX effects to reflect the recent strengthening of the U.S. dollar. Building on our strong first quarter performance, we're reinforcing our operational EPS outlook at midpoint. This reflects consistent goals for solid comparable operating margin improvement this year — and favorable adjustments to estimates for net interest expense, benefiting from our strong cash flow generation.

We'll review our updated guidance detail later in my comments. Let's begin with a review of our first quarter results.

First quarter organic revenue growth of 7% was driven by 7% organic CAG gains and 11% organic growth in our Water business — with overall gains moderated by a 3% organic growth decline in LPD.

CAG organic revenue growth was supported by 8% organic growth in veterinary software and diagnostic imaging revenues — driven by 11% organic gains in recurring revenues. CAG instrument revenue increased 3% organically, building on high prior year placement levels.

CAG Diagnostics recurring revenue increased 7% organically in Q1 — supported by average global net price improvement of 5% — 6%, with U.S. net price realization at the lower end of this range.

CAG Diagnostics recurring revenue growth in Q1 reflected solid gains across our major regions. International CAG Diagnostics recurring revenue organic growth was 9% — reflecting benefits from net price realization and solid volume gains, building on 2023 second half momentum. International results continue to be driven by IDEXX execution — reflected in strong new business gains and high premium instrument placements, which supported a double-digit YOY expansion of our global premium instrument installed base.

U.S. CAG DX recurring revenue organic growth was 6.5% in Q1. This reflects a continued, significant growth premium compared to same store U.S. clinical visit growth levels — which declined an estimated 2.3% overall in the quarter, including negative impacts from severe January weather. IDEXX's solid growth results reflect sustained levels of diagnostics frequency and increased DX utilization per clinical visit at the practice level. It also reflects benefits from IDEXX execution drivers — including solid new business gains, sustained high customer

retention levels and net price realization.

Excluding estimated weather impacts — U.S. clinical visit growth levels in the first quarter were relatively softer than targeted in our midpoint outlook. These trends reflect ongoing staffing challenges at veterinary clinics — and potentially, pressure on U.S. consumers from broader, cumulative macro impacts. While pet owner demand for healthcare services remains durable and resilient — and we're confident in IDEXX's ability to execute and drive continued solid organic revenue growth — we believe it's prudent to factor these near-term sector trends into our outlook. This is reflected in adjustments to the high end of our 2024 full year organic revenue growth guidance.

IDEXX achieved solid organic revenue growth across our modalities in Q1. IDEXX VetLab® consumables revenues increased 9% organically — reflecting high-single digit gains in the U.S. and double-digit growth in International regions. Consumable gains were supported by 11% YOY growth in our global premium instrument installed base — reflecting gains across our Catalyst, premium Hematology and SediVue® platforms. We placed 4,791 CAG premium instruments in Q1 — an increase of 8% YOY compared to high prior year levels. This was supported by strong growth in ProCyte One® placements, with the global ProCyte One installed base increasing to over 15,000 instruments. Global Catalyst placements decreased YOY in the quarter — reflecting comparisons to high prior year placement levels and shifts in placement mix in International regions.

Global rapid assay revenues expanded 5% organically in Q1 — driven by high-single digit gains in the US, including benefits from higher net price realization.

Global lab revenues increased 6% organically — reflecting high similar solid gains in the U.S. and International regions.

Veterinary software and diagnostic imaging revenues increased 12% as reported, including benefits from a recent software and data platform acquisition, which adds to our software ecosystem. 8% overall organic gains were driven by 11% organic growth in recurring revenues — reflecting benefits from ongoing momentum in cloud-based software placements.

Water revenues increased 11% organically in Q1 — driven by double-digit gains in the U.S. and Europe, including benefits from year-end shipment order timing.

Livestock, Poultry and Dairy revenues decreased 3% organically. Solid gains in the U.S. and Europe were moderated by lower Asia Pacific revenues — including impacts from lower herd health screening revenues related to reduced China import testing and comparisons to higher prior year Swine testing levels in China. We expect these negative growth impacts to moderate in the second half of 2024.

Turning to the P&L — Q1 profit results were supported by solid gross margin gains. Gross profit increased 9% in the quarter as reported and on a comparable basis. Gross margins were 61.5% — up ~110 basis points on a comparable basis. Gross margin gains reflected benefits from business mix, lower instrument costs and software service margin expansion.

On a reported basis — operating expenses increased 12% YOY, including ~6.5% of overall growth impact related to the lapping of a prior year \$16MM customer contract resolution payment. Q1 Opex growth was driven by increases in R&D spending aligned with advancing our innovation agenda, including new platform development.

EPS was \$2.81 per share in Q1, an increase of 10% as reported and 9% on a comparable basis, net of a 7% negative EPS growth rate impact related to the lapping of the prior year customer contract resolution payment. Foreign exchange had a limited impact on gross margin, operating profits and EPS in the quarter, net of \$1MM hedge gain.

Free cash flow was \$168MM in Q1— reflecting normal seasonality. On a trailing 12-month basis, our net income to FCF conversion ratio was 92%. For the fully year, we're maintaining our outlook for free cash flow conversion of 90% — 95% — reflecting estimated capital spending of ~ \$180MM.

Our balance sheet remains in a strong position. We ended the quarter with leverage ratios of 0.7x gross and 0.4x net of cash, as we continue to manage our balance sheet conservatively in the current interest rate environment. We allocated \$155MM in capital to share repurchases in the first quarter. Diluted share outstanding were relatively flat compared to prior year levels.

Turning to 2024 guidance – we've updated our full year P&L outlook to reflect adjustments to the high end of our full year organic growth goals. Our outlook reinforces our full year goals for solid comparable operating margin improvement and incorporates favorable adjustments to estimates for net interest expense. We've also revised estimates for FX impacts, reflecting the recent strengthening of the U.S. dollar.

In terms of our revenue outlook — we've updated our full year guidance for reported revenues to \$3,895MM — \$3,965MM, a reduction of \$55MM at midpoint. Compared to earlier estimates, our updated reported revenue outlook includes a \$35MM — or ~1% negative growth rate impact — related to the recent strengthening of the U.S. dollar. We've also lowered the high end of our FY organic growth outlook by 1% — to capture more recent trends for U.S. clinical visits, which have constrained the organic revenue growth outlook for the first half of 2024. Our updated full year guidance for overall organic growth is now 7% to 9%, supported by 7.5% to 9.5% gains in CAG diagnostic recurring revenues.

For the full year — our outlook for overall organic growth continues to reflect expectations for solid CAG Diagnostics recurring revenue gains, supported by IDEXX execution. Our midpoint

outlook aligns with expectations for ~1.5% declines in U.S. clinic visits in Q2 — similar to late Q1 trends. For the second half of 2024, our midpoint outlook continues to assume a relative flattening of U.S. clinical visit trends. We expect our H2 organic revenue growth results to benefit by approximately 0.5% overall from equivalent days effects — reflecting ~1% organic growth rate benefits in Q3, with limited overall effects to FY growth. Our full year CAG Diagnostics recurring revenue outlook reflects consistent expectations for global net price improvement of ~5%.

In terms of our profit guidance — we're maintaining our outlook for reported operating margins of 30.2% — 30.7% for the full year 2024, supported by continued high levels of operating execution. This outlook aligns with 20 — 70 basis points in full year comparable operating margin expansion — net of a negative 40 basis point impact related to the lapping of the Q1 2023 customer contract resolution payment.

Our updated FY EPS outlook of \$10.82 — \$11.20 per share is down \$0.08 per share at midpoint — driven by our updated FX estimates. We now estimate FX will have a negative \$0.09 per share full year EPS impact — \$0.11 per share unfavorable to prior estimates. Operationally — reductions to the high end of our organic growth guidance are mitigated by our sustained operating margin improvement outlook — and by ~\$0.06 per share of net favorability from updated net interest expense projections.

In terms of our outlook for Q2 — we're planning for reported revenue growth of 5% — 7.5%, net of an estimated 1.5% growth headwind from FX. This outlook aligns with an organic revenue growth range of 6.0% — 8.5% — and incorporates growth benefits from our recent software acquisition. As noted, at midpoint the Q2 organic revenue growth outlook aligns with the relatively softer U.S. clinical visit growth trends seen at the end of the first quarter. We're planning for reported operating margins of 31.0% — 31.4% in Q2 — flat to down moderately on a comparable basis — factoring in projections for relatively higher, quarterly R&D spending in

support of new platform advancement.

That concludes our financial review. I'll now turn the call over to Jay for his comments.

Jay Mazelsky

President & Chief Executive Officer

Thank you, Brian, and good morning.

IDEXX had a solid start to the year, as we continue to advance our strategy to drive the development of the companion animal diagnostics sector through innovation and customer engagement. Our ongoing progress benefits from the durable secular growth drivers that have supported the multi-decade expansion of companion animal medical services. These drivers include growth in the pet population and a strengthened human-pet bond – as well as the ongoing expansion of pet healthcare services. Medical services is in turn enabled by diagnostics, and is a key element of vet clinic growth and profitability. IDEXX's business strategy is focused on enabling long-term sector growth by providing unparalleled diagnostic insight through our leading testing and software solutions. This is supported by a robust innovation agenda and a high-touch customer-centered commercial model that helps clinicians test with confidence in an intuitive and efficient way – supporting their mission of delivering high levels of care.

Our strategy is brought to life by teams across IDEXX who collectively executed at a high level in the quarter — reflected in continued global expansion of our diagnostics and software solutions and solid growth in recurring revenues. CAG Diagnostics recurring revenues once again grew at a healthy premium to the sector, supported by solid contribution from new business gains, sustained high customer retention rates, and net price realization that reflects the increased value that our products and services deliver to our customers. IDEXX commercial teams delivered strong growth in global premium instrument placements, reflecting high interest in adopting IDEXX's point-of-care innovations — including expansion of our newest platform solution, ProCyte One. Cloud based software placements also continue to expand in the quarter

reflecting vet clinic interest in cloud-native solutions and the IDEXX full-stack software suite that continues to advance in scope and functionality. These gains supported continued double-digit organic growth in recurring software revenues — as veterinarians continue to turn to IDEXX to help them grow their practices and drive productivity.

As Brian noted, we continue to work through dynamics in terms of staffing challenges and broader pressures on consumers that have impacted clinic visit growth levels. Our strong business performance demonstrates our ability to work through these near-term challenges while continuing to expand our business globally, deliver strong financial performance and advance key drivers of our long-term growth strategy and potential.

Today I'll provide an overview of IDEXX's progress against our strategic initiatives during the first quarter. Let's start with an update on our commercial efforts, which are key to driving the adoption and utilization of IDEXX's testing and software solutions.

IDEXX commercial teams continue to execute at a high level — bringing a customer-first mindset to their work, helping IDEXX customers to grow faster. Intuitive point-of-care testing platforms are foundational to this approach. Customer adoption of IDEXX solutions remains high globally — reflected in record first quarter global premium instrument placements for the third consecutive year. This performance, combined with the ability to retain our customers at consistently high levels by delivering an excellent user experience, resulted in double-digit growth in our global premium instrument installed base — in total and individually for in-clinic chemistry, premium hematology, and urinalysis platforms. This progress is aligned with the ~220k global placement opportunity we see today for our business.

A key area of commercial focus is international regions that are at earlier stages of development than the U.S and provide a relatively more greenfield growth opportunity. Leveraging the successful commercial playbook we have developed from our decades of

experience in the U.S., our international sales teams continue to deliver high international installed base growth. Progress on this front is reflected in strong international premium instrument placement gains, supported by continued global expansion of our new platform innovations such as ProCyte One. ProCyte One provides significant benefits compared to our legacy hematology analyzers – from a more intuitive workflow with load-and-go reagents, to a smaller bench-top footprint, and even back-office productivity benefits due to its pay-per-run model – all of which combine to drive greater utilization for customers who upgrade. A recent analysis revealed a 20%+ uplift in runs per day for customers who upgraded from LaserCyte to ProCyte One — with consistent benefits noted across major regions. Upgrades and adoption of new platforms also delivers multiplier benefits to our business — through increased customer loyalty and retention and adoption of other IDEXX in-clinic analyzers. Our continued installed base expansion in our international sector resulted in another quarter of strong CAG Diagnostics recurring revenues.

Our integrated platform solutions — including benefits from our software ecosystem — are well aligned to also support the formation of new practices in regions like the U.S., which continues to contribute a net 0.5% — 1.0% to sector growth. High interest in IDEXX solutions among new practices in the U.S. has become an increasingly important driver of new and competitive placements. Our flexible and customer-friendly marketing programs like IDEXX 360, modified to appeal to new practice growth dynamics, have attracted strong interest and full point of care suites with high attach rates of Catalyst, and increased testing across modalities.

Building on our progress advancing adoption and leverage of IDEXX solutions — we continue to make solid progress advancing our ongoing innovation agenda, including the development of new platforms for diagnostic testing. The first of two such new testing platforms currently under development was announced recently at VMX. The IDEXX inVue Dx™ Cellular Analyzer — a first of its kind slide-free cellular analyzer platform — is powered by advanced optics and enabled by AI that has been trained by IDEXX's global pathology network. Development of this

platform is proceeding to schedule and is in its final stages as we plan to begin shipping to customers in the fourth quarter of this year. Our commercial teams have begun educating busy customers on the new piece of technology, while also using it to engage with customers on other IDEXX solutions that may be relevant to their practices now. This is another multiplier of new IDEXX innovation, which helped support high reach-to-revenue metrics in the quarter which reflect the efficacy of our commercial playbook.

Early feedback from customers across the globe remains highly positive building off the enthusiasm experienced at both domestic and international veterinary conferences. Customers have resonated with both the medical and workflow productivity benefits. Clinicians are wowed, for example, by the powerful technological innovations and appreciate the clinical need for solutions to ear cytology — a daily practice, and blood morphology — a critical element of a complete hematology exam. This feedback is consistent across general practices, specialists, and corporate accounts who seek cutting edge tools from IDEXX. We look forward to building on this highly innovative menu by delivering fine needle aspirate testing that reflect IDEXX's high-performance standards.

At IDEXX, innovation goes beyond new platforms. Our Technology for Life approach means we are constantly assessing our on-market portfolio for opportunities to add value to our products through new insights, greater efficiency, or improved ease-of-use. Similar to how blood morphology insights on the IDEXX inVue Dx complement our premium hematology analyzers, we recently launched a new generation of our IDEXX VetLab UA platform which complements SediVue Dx. The new UA analyzer brings a highly attractive, modernized form factor, is easier to use, and features enhanced integrations with IDEXX VetLab Station and VetConnect® PLUS, saving practice teams time on commonly run urine diagnostics. And the eight essential urine parameters provided on IDEXX VetLab® UA, including pH and protein, merge with results from SediVue® Dx, driving actionable interpretive guidance on next steps that support clinicians to make informed medical decisions.

IDEXX reference labs are also benefiting from recent innovation, where we see momentum building with the recently launched IDEXX Cystatin B, our differentiated kidney injury detection test that further bolsters our best-in-class renal health offering for our customers. We've now launched in North America, UK and Australia and plan to launch in Europe later this year. Experience is growing with this important innovation, with almost 500k tests ordered by over 13k customers since the December launch. Awareness of the test is solid, estimated at just over 50% of U.S. veterinarians based on recent survey work. Significant runway exists to increase awareness and deepen understanding of the clinical utility of this test.

IDEXX's software and imaging business continues to perform well and is addressing significant unmet customer needs. Our cloud-first strategy to building a seamlessly integrated software ecosystem delivers workflow and communication advantages across the clinic that drive productivity – while supporting double-digit growth of a profitable, SaaS recurring revenue stream for IDEXX. Strong software placement growth is now virtually all via cloud-based products – and is supported by customers looking for modern tools to access diagnostics insights, create and streamline efficient practice workflows, and communicate with an increasingly digitally native end customer. By partnering with IDEXX on these solutions, customers are increasingly freed from unrewarded administrative tasks to pursue their care mission for patients.

Like our diagnostic platforms and menu, we are also focused on enhancing the IDEXX software ecosystem. Our recent announcement at the Western Veterinary Conference is an example of this, where we were thrilled to announce Vello™, our newest pet-owner engagement platform which officially went live in late March. Veterinarians increasingly tell us that their client communication processes and tools are disjointed, high friction, and time-consuming. Vello provides veterinarians with a powerful tool that is directly embedded within their IDEXX practice management software – supporting streamlined interactions and more efficient

workflows. The benefits of expanding IDEXX's vertical software suite are many, including deeper customer relationships and improved compliance that helps drive better health outcomes. Vello supports the growth of our profitable recurring software revenues while also delivering multiplier benefits to our diagnostics business – as early Vello adopters are benefiting from fewer customer no-shows and increasing their diagnostics utilization with IDEXX.

Another addition to the software ecosystem was the acquisition of Greenline Pet, a leading digital platform that provides easy practice workflow solutions for coupon and rebate redemptions, which was completed in the first quarter. The Greenline digital platform enhances IDEXX partnerships with leading manufacturers in the animal health pharmaceutical and nutrition space, supporting sector development through targeted rebating to consumers, made possible through deep integrations with IDEXX and 3rd party practice management systems. By delivering additional relevant solutions to our software customers – like Greenline and Vello – we are able to drive strong adoption of our deeply integrated vertical SaaS applications inside of our cloud practice management systems. Providing our customers with a single, unified platform for payments, workflow, and client communications – to name a few applications – helps drive efficiency and removes the need to toggle between multiple applications and manual reconciliations. Not only does this accelerated adoption drive practice productivity, but it also supports greater diagnostics revenue growth and very high retention rates – thereby helping drive our key recurring revenue annuity.

Overall — we're very proud of how we have advanced our strategic initiatives across multiple business areas in the first quarter while also delivering an excellent customer experience and strong financial results.

I'll now conclude our prepared remarks by thanking the 11,000 IDEXX employees for your ongoing commitment and incredible passion for our purpose-driven work. Your contribution to IDEXX not only helps deliver against our goal of providing a better future for animals, people,

and our planet, but also helped deliver a strong start against our financial objectives in 2024. The Companion Animal diagnostics sector – including supporting software solutions – remains highly attractive, and IDEXX teams play a critical role in providing excellent care based on diagnostics insights. As a result, we are very well positioned to deliver solid growth and financial results over the long-term horizon. So, on behalf of the management team, thank you for your continued focus on enhancing the health and well-being of pets, people, and livestock.

Now, let's open the line for Q&A.